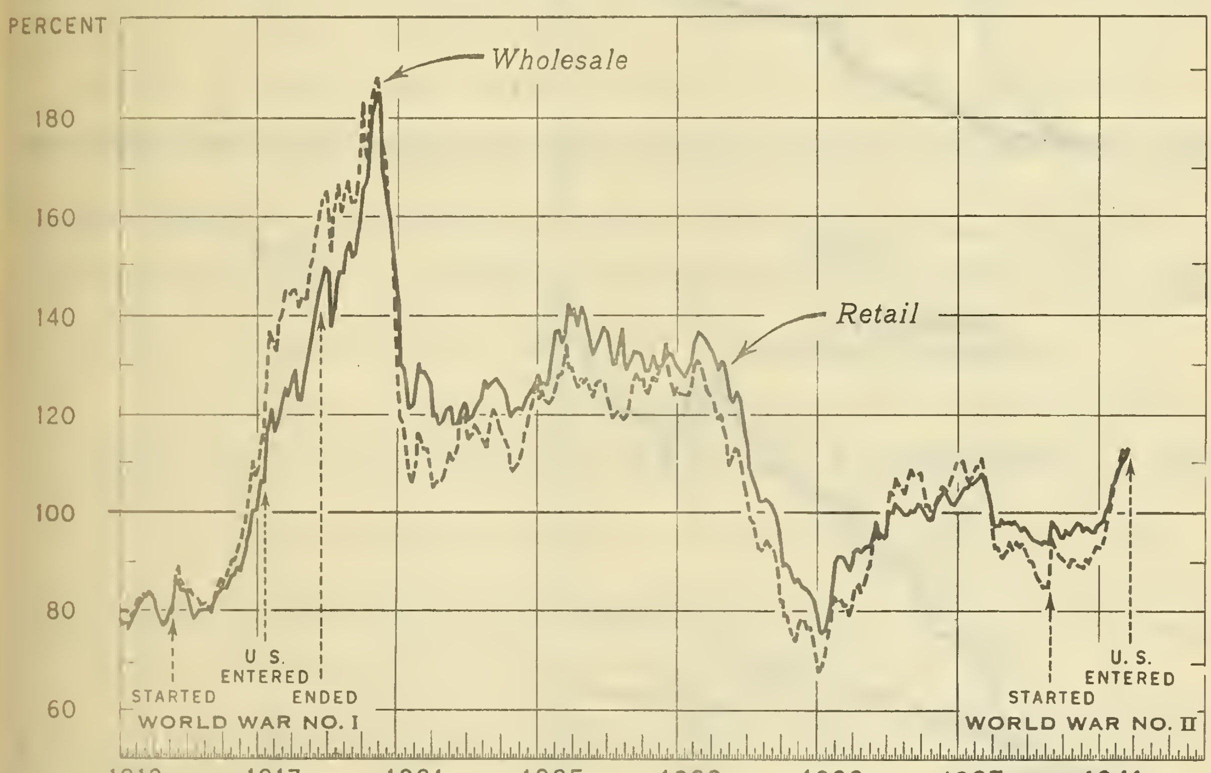
THE Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C. BAE JANUARY 1942

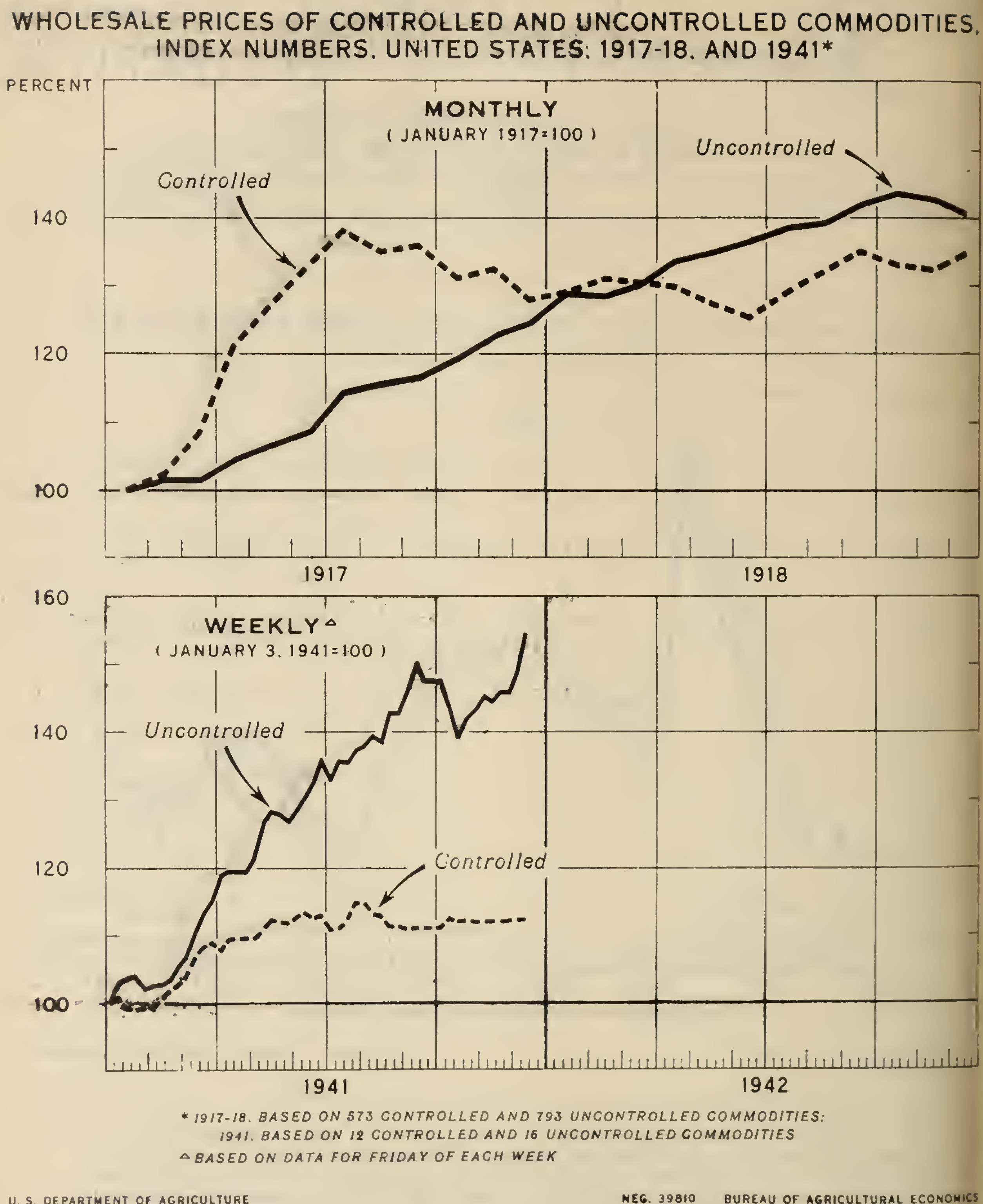
RETAIL AND WHOLESALE FOOD PRICES, UNITED STATES, 1913-41
INDEX NUMBERS (1935-39=100)



BASED ON DATA FROM BUREAU OF LABOR STATISTICS

U.S. DEPARTMENT OF AGRICULTURE NEG. 39795 BUREAU OF AGRICULTURAL ECONOMICS

Wholesale food prices normally rise and fall more percentagewise than do retail prices. During World War I they rose considerably faster, and in the post-war readjustment declined more. A similar tendency has been evident during the present war, but possible increases in marketing costs in 1942 may cause retail prices to rise more relative to wholesale prices than in 1941.



WHOLESALE PRICES OF CONTROLLED AND UNCONTROLLED COMMODITIES,
INDEX NUMBERS, UNITED STATES; 1917-18, AND 1941*
PERCENT
MONTHLY
(JANUARY 1917=100)
Controlled
Uncontrolled
140
120
100
1917
1918
160
WEEKLY^
(JANUARY 3, 1941=100)
Uncontrolled
Controlled
140
120
100
1941
1942
* 1917-18, BASED ON 573 CONTROLLED AND 793 UNCONTROLLED COMMODITIES;
1941, BASED ON 12 CONTROLLED AND 16 UNCONTROLLED COMMODITIES
^ BASED ON DATA FOR FRIDAY OF EACH WEEK
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FIGURE 1

SUMMARY

In 1942 prices received by farmers for farm products are expected to hold around parity, averaging neither greatly above nor greatly below that point. In other words, prices received in relation to prices paid, interest, and taxes, are expected to average about the same as at the end of 1941, when the ratio was at 99 percent of parity.

In compliance with Agriculture's wartime production goals, total output of farm products is expected to be the largest on record. However, despite the record supplies expected, prices are likely to rise, partly because of record high consumer incomes, partly because the demands of consumers will focus sharply on food as the output of civilian manufactured goods declines, and partly because of continued Government purchases for lend-lease shipment. Under the influence of these factors, farm product prices are expected to average about 25 percent above 1941.

The result of higher prices for a larger output probably will be an increase of at least 2 billion dollars in farm income this year as compared with 1941, when income was estimated at 11.6 billion dollars. At the same time, costs that farmers must pay out for goods and services are expected to rise, offsetting in part the estimated increase in income.

The national income probably will be at least 10 billion dollars greater in 1942 than in 1941. Incomes of industrial workers will be over 15 percent greater than in 1941, and nearly double what they were at the beginning of the war. But increased taxes applying to individuals may hold the net increase in the money purchasing power of consumers in 1942 over the average for 1941 to not much more than 5 percent. Increased sales of defense bonds to the public may make the gain even smaller than this and the net result of increased money incomes, taxes, and defense bond purchases may

leave the money income of consumers available for purchase of commodities and services no higher in 1942 than the present level. For some groups it will be even less than in 1941. Increased war production, however, will substantially reduce the quantity of factory products remaining for civilian use, probably to less than the quantity in 1940, so that consumer income in relation to available supplies of goods will be increased. This should add to the consumer demand for farm products in 1942 compared with 1941.

Increased Government purchases of farm products for shipment to our allies and for other purposes and the substitution of domestic farm products for some formerly imported, also will add to the demand for agricultural commodities. The net effect of the prospective changes in these conditions should be a substantial increase in the over-all demand for farm products in 1942 over the 1941 average, although the increase from present levels may not be great. The general level of all commodity prices also is expected to be substantially higher in 1942 than the average for 1941, with the rise in wholesale prices of agricultural products likely to be somewhat greater than the increase in prices of industrial commodities.

--- January 14, 1942

DEMAND

The demand for farm products in 1942 is expected to average substantially better than in 1941, although the change-over to a full wartime economy may bring some irregularities during the next few months.

To arm ourselves and our allies, the production of military equipment in 1942 will accelerate greatly. This will not result in any large increase in over-all industrial activity, however, since the increase in production of war goods will be largely at the expense of civilian goods. Most industrial plants already are operating at practical capacity, and total output is limited by shortages of materials and skilled labor. Increases in total industrial production from now on will depend largely upon the coming into full operation of new facilities and the more efficient utilization of labor. The period of transition from peacetime to wartime

operation will cause many temporary dislocations, especially during the first part of the year, but these should be somewhat more than offset by the higher level of operations which can be expected in the latter part of 1942 as the conversions are completed. Because the industrial machinery was geared to maximum production during only a part of 1941, and some new production facilities will be available in 1942 which were not in operation for the full year 1941, industrial activity should average substantially higher this year than last, perhaps by about 10 to 15 percent and somewhat above recent high levels.

There will be considerable temporary unemployment during the next few months in some industries and localities, but by the end of 1942 the number unemployed probably will have been reduced to nearly the practicable minimum. But there will still be over 5 million people who are unemployable for various reasons and there will always be a considerable number unemployed at any one time because of unavoidable labor turnover.

Consumer demand for farm products in 1942 compared with 1941 will be bolstered by the larger money income received by consumers as well as by the higher average level of employment. It is true that some workers, especially the so-called white collar groups, have shared in limited degree in the increases in total income since the war began and as a class may have less money after taxes for spending in 1942 than in 1941. But total national income probably will exceed the 100 billion dollar level, which would represent an increase of about 10 to 15 percent over the total for 1941. A similar gain is indicated for total nonagricultural employees' compensation. Industrial workers' income, which rose in 1941 out of proportion to other measures of consumer money purchasing power, may be nearly double in 1942 what it was at the beginning of the war and over 15 percent more than in 1941. But these larger money incomes received by consumers will go partly to pay a large increase in taxes which may amount to about one half of the increase in income payments to individuals in 1942 over 1941. In addition, larger purchases of defense bonds by the public will reduce the money purchasing power remaining for the purchase of civilian goods including farm products. On the other hand, the deficiency in supplies of some types of industrial goods (see discussion of the general price level) will tend to enhance the effects on the demand for farm products of the prospective net increase in the total available consumer income.

Actual participation in the war has added to the prospects for enlarged Government purchases of farm products for shipment to our allies, for accumulating reserves, and for other purposes. The stoppage of imports of some agricultural commodities formerly obtained from the Pacific countries will add to the demand for substitute products produced in the United States. In comparison with 1941, these two factors should more than offset the loss of some commercial export outlets which early in 1941 had fallen to the lowest level in 74 years.

The net effect of these prospective changes in domestic and foreign conditions should be a substantial increase in the demand for farm products in 1942 over 1941 as a whole, although the advance from present levels will not be great.

THE GENERAL PRICE LEVEL

The Bureau of Labor Statistics index number of all commodity prices for 1942 as a whole probably will be 15 to 20 percent above the 1941 average, or somewhat above the 1926 level. This would be about 50 percent higher than the level for 1910-14. The rise in wholesale prices of agricultural products is likely to be more than the increase in prices of industrial commodities, although the difference will not be as great as it was in 1941.

Active participation in the war will have mixed effects upon the general level of commodity prices in 1942. Shortages of some important raw materials and finished consumers' goods, potential speculative buying and withholding of commodities based on the general knowledge that prices tend to rise when major wars are in progress, and increased money incomes of consumers will be strong forces tending to push prices upward. The first two of these three factors in the general price situation have been enhanced by our entry into the war.

The quantity of factory products remaining for civilian use will be progressively declining in 1942 as we convert from a peacetime to a wartime production basis. Rough estimates based on a projection of the chart on the cover page of the December Demand and Price Situation indicate that the quantity of processed civilian goods produced in 1942 as a whole will be about 20 percent below the 1941 level, or about the 1939-40 average. In contrast, the money purchasing power of consumers after allowing for increased taxes applying to individuals probably will be at least 5 percent greater than in 1941 as a whole. Although increased defense savings and sales of services such as amusements will absorb a considerable part of the increase in money purchasing power relative to goods production, the upward pressure on commodity prices will be strong.

On the other hand, there will be greater need for and public support of Government controls over prices. Many differences of opinion have developed with respect to the probable effectiveness of price controls in preventing inflationary increases in the general price level. No doubt there will be some increase in prices, but much can be done to limit the speed and degree of rise in the general price level. The chart on the inside cover page shows differences in movements of controlled and uncontrolled commodity prices in World War I and in 1941. Although the number of commodity prices now controlled is relatively small, they include prices of some materials which are important in making finished goods and which are scarce in wartime. If prices of such commodities had been left to respond in the normal manner to changes in supply and demand conditions, there is no doubt that the general level of prices in World War I and to date in the present war would have risen much more than it did. Even "controlled" prices may have to rise if costs go up, however, and it may be necessary or desirable to permit some price increases in order to encourage the production of needed commodities. Nevertheless, experience gained during World War I and in the present war to date should make possible more effective controls over commodity prices than was possible in the last war.

The greatest anti-inflationary influence on farm prices will be the higher level of production in 1942. With the wartime production goals attained, supplies should be adequate for domestic demand and for lend-lease shipment. In connection with supply, a major influence is the handling of the Government-owned stocks of such staples as wheat, corn, and cotton. For all these commodities, a policy of selling Government stocks in order to stabilize prices has been announced by the Secretary of Agriculture and presumably will be followed through 1942.

War conditions are likely to cause retail prices and living costs to rise more than normally in relation to wholesale prices. Under ordinary conditions a given percentage change in retail prices is accompanied by a larger percentage change in wholesale and farm prices because of the relatively stable intervening marketing charges. For this reason, for example, any given absolute increase in prices paid by consumers due to improved demand conditions, when passed on down to the farmer, represents a larger proportional increase than does the increase in the retail price. But higher labor costs, possible increases in transportation charges, and other advances in marketing costs accompanying the war may cause absolute marketing margins to rise with advancing prices. This would make for larger than normal percentage increases in retail prices and the cost of living in relation to wholesale and farm prices. If controls are placed on wholesale prices but not on retail prices, this tendency will be accelerated. On the other hand, if controls are placed on retail and not on wholesale prices, the higher marketing costs will make the repercussion on farm prices greater.

FARM PRICES AND INCOME

It now appears that the general level of prices received by farmers in 1942 as a whole probably will be about 25 percent above the average for 1941. This would be, however, only around 5 percent above the apparent January level. Prices paid by farmers probably will rise at least 15 percent over the average for 1941, or to about the same level in relation to 1910-14 as prices received. The rise in prices paid by farmers for commodities and services also will result in higher parity prices, loan values, and Government price-support levels. The ratio of prices received to prices paid including interest and taxes probably will not be far above or below parity in 1942 as a whole, compared with an average of 91 for 1941 and 99 in December 1941.

Although production of many agricultural products in 1941 was the largest on record, a further increase in output of commodities needed for the war should result in raising total farm production in 1942 somewhat above that for 1941. A sharp increase is expected in livestock products, which would more than offset a possible decline in the output of some crops for which decreased export demand and large stocks have brought reduced requirements. With both prices and production expected to be greater in 1942 than in 1941, cash income from farm marketings should be substantially larger. Including Government payments, total cash income in 1942 may be about 2 billion dollars larger than the 11.6 billion received by farmers in 1941. The increases, however, will be much more for some groups of commodities than for others, with the income from grains perhaps rising

less than the average. Large increases in income will accrue from products directly affected by curtailment of imports or by the food needs of our allies. Among such products are oilseeds, hogs, poultry and dairy products, and sugar.

Despite the expected increase in prices of commodities bought by farmers, the purchasing power of both cash farm income and net farm income probably will be materially greater in 1942 than in 1941. But the effect of this on farmers' purchases of goods will be at least partly offset by higher operating costs such as farm wage rates, larger income taxes paid by farmers, and increased purchases of defense bonds.

The situation by commodities is as follows:

Wheat: Unless exports increase considerably, stocks on July 1, 1943 will be larger than on July 1, 1942, when they may amount to about 640 million bushels. Even though this should be the case, prices in 1942-43 are expected to be maintained at relatively high levels in comparison with prices in other principal exporting countries.

Rice: Rice prices are at the highest level since 1925. Prices have advanced since September, reflecting declining crop prospects. With a small carry-over in prospect at the beginning of the 1942 season and the likelihood of increased domestic and foreign requirements in 1942-43, an increase in 1942 seedings appears justified.

Cotton: A total domestic cotton consumption of close to 11-1/2 million bales for the current season is now expected on account of heavy military and civilian demand. This would exceed the record high of last season by 1-3/4 million bales. The expected disappearance (consumption plus exports) may reduce the August 1, 1942 domestic carry-over to approximately 10 million bales, 2 million bales below that of a year earlier. The carry-over on August 1 next (with a large part of it in the Government's hands) would still be exceptionally large. With average yields in 1942, however, the supply next season might be about the same as that of the current season. The loan levels and the Commodity Credit Corporation's policy of selling Government-owned stocks will be important influences on prices.

Feed grains: Supplies of feed grains, high protein feeds, and hay are the largest in more than 20 years. Disappearance of feed grains is expected to be heavy during the current marketing year and the carry-over of these grains in 1942 may be smaller than in 1941. Prices of most feeds advanced over 25 percent during 1941 and they will be supported by a strong demand and the higher loan rate on 1941 corn during the current year.

Hogs: Hog production and marketings will set a new high record in 1942. However, the effect of these large supplies upon hog prices will be offset by a higher level of consumer demand this year than last and increased Government purchases of pork and lard. Cash farm income from hogs in 1942 is expected to be the largest in over 20 years.

Beef cattle: The movement of stocker and feeder cattle into the Corn Belt during November and December was larger than a year earlier, but the increase did not offset the 20-percent decrease of the preceding 4 months. Fat cattle prices have advanced sharply since early November.

Lambs: More lambs probably will be fed during the 1941-42 feeding season than the record large number fed last year. It also appears likely that the 1942 lamb crop will be a little larger than the 1941 crop. Lamb prices followed a moderate upward trend during 1941, and the average price received by farmers for lambs during the year was nearly $1.50 higher than in 1940.

Wool: Farm income from wool in 1942 probably will be fully as large as the 1941 income, if not larger. The 1941 income, tentatively estimated at 143 million dollars, was the second largest on record, being surpassed only by the 147 million in 1918. To assure adequate supplies of raw wool for military requirements, mill consumption of wool in the first quarter of 1942 will be limited to 80 percent of the rate which prevailed in the first half of 1941. Consumption was at a record high in 1941, and in 1942 probably will be much larger than in most recent years.

Dairy products: Production of milk and of most manufactured dairy products is expected to be the largest on record in 1942. However, as a result of increasing consumer incomes and prospective large exports under the lend-lease program, prices of dairy products probably will average higher in 1942 than in 1941.

Poultry and eggs: Production of poultry products responded rapidly to favorable prices in 1941, and further material increases are expected this year. Because of the stronger average domestic demand and prospective lend-lease purchases, however, prices received by farmers for poultry products are likely to average higher this year than last.

Fats and oils: A strong domestic demand for fats and oils and large exports of lard are in prospect for 1942. Production plus imports, however, may be 8 to 10 percent less than total requirements as a result of curtailment of imports from the Pacific. The deficiency can be covered by withdrawals

from stocks, but a material increase in production will be needed this year if requirements are to be fully met in 1943. Prices probably will average higher in 1942 than in 1941, although advances from present levels are likely to be limited by control measures.

Fruits: Total production of fruit in the 1942-43 fruit season (July-June) probably will be about the same as in the 1941-42 season. Consumer purchasing power will average higher in 1942 than in 1941, and the demand situation for fruits and fruit products will be the most favorable in more than a decade.

Potatoes: Although present prospects indicate little increase in plantings of white potatoes in 1942, because of the favorable outlook on the demand side, there appears to be a need for increased production. Prospective 1942 demand conditions suggest the probability of higher average prices than in 1941. Increased plantings and production of sweetpotatoes are in prospect for 1942 as a result of the rising level of food prices.

Dry edible beans: The 1941 record bean production probably will be exceeded in 1942, but prices probably will continue the upward trend in evidence through 1941, reflecting further improvement in demand.

Truck crops: Truck crop production in 1941 was smaller than in 1940, but higher prices resulted in a record income to producers. There will be a general tendency to increase truck crop acreage this year, both for the fresh market and for processing. Owing to the increase in demand, prices received by producers generally, probably will average higher than in 1941.

CATTLE

The movement of stocker and feeder cattle into the Corn Belt during the past 2 months (November-December) has been larger than a year earlier; during the past fall (July-October) such shipments were about 20 percent smaller. The sharp advance in prices of fat cattle since early November has been reflected in an active demand for replacement cattle by Corn Belt feeders. Market reports indicate that a fairly large proportion of the cattle purchased in recent weeks has been short-fed cattle suitable for further feeding, although the increase in purchases over a year earlier probably also reflects the relatively late movement of cattle from the range States this fall.

Marketings of slaughter cattle increased sharply in December, raising the total number of cattle slaughtered under Federal inspection during 1941 to 10.9 million head. This was 1.2 million head more than in 1940 and the third largest commercial cattle slaughter on record. Inspected calf slaughter of 5.5 million head in 1941 was only a little larger than in 1940.

Although the total number of cattle and calves slaughtered during 1941 was about 1.4 million head greater than in 1940, cattle numbers probably increased about 2 million head during the year, raising the total number of cattle and calves on farms and ranches at the beginning of 1942 to close to the peak number reached in 1934. With consumer demand for meats expected to be strong in 1942, the Department of Agriculture last September recommended that total marketings of cattle and calves for slaughter be increased to about 28 million head this year, a somewhat larger total slaughter than would normally be expected in 1942. This would prevent a further expansion in cattle numbers and in marketings in subsequent years when consumer demand may not be so strong as it is now. Reaching the 1942 goal for cattle slaughter would not have much depressing effect upon prices this year, and the long-time outlook for the cattle industry would be improved.

Prices of well-finished slaughter cattle weakened a little in early January, following the sharp advance of the preceding 6 weeks. The average price of good grade beef steers at Chicago for the week ended January 3 was $12.55, compared with $11.00 in early November and $12.10 in the corresponding week a year earlier. Prices of most weights and grades of fat cattle are now higher than the peak prices reached last winter.

HOGS

Hog production in 1942 will set a new all-time record. The number of pigs raised during the past fall totaled 35.6 million head, 18 percent more than the 1940 crop and the largest fall crop on record. The number of sows indicated to farrow during the 1942 spring season is 28 percent larger than in 1941, and if the number of pigs saved per litter is about average, this year's spring crop will total close to 62 million head. The largest spring crop raised in any other year of record was 54.5 million head in 1927.

On the basis of these increases in the number of pigs raised and in the trend of marketings during the past few months, slaughter supplies of hogs in 1942 are expected to be exceptionally large. Inspected hog slaughter during the calendar year may reach a total of 54-55 million head. This compares with 46.5 million head in 1941 and the previous record of a little over 53 million head slaughtered in 1923. The increase over corresponding months of 1941 will be most pronounced next fall and winter.

Although hog marketings in 1942 are now expected to be considerably larger than were indicated last fall, the outlook for hog producers continues favorable. Because of the defense program, consumer demand for meats will be stronger this year than last. Government purchases of pork and lard also will be larger, and total supplies for domestic consumption will be only a little greater than those of 1941. The Secretary of Agriculture has issued a proclamation under the Steagall Amendment to the Commodity Credit Corporation Act of 1941 encouraging an expansion in production of hogs, and giving notice of intention to manage the Government purchase and other programs in such a way as to maintain a minimum price for hogs of 85 percent of parity. Prices received by farmers for hogs in 1942 are expected to average higher than in 1941, although they probably will not advance as sharply as they did

in the first 9 months of last year. This together with record large marketings will return to farmers the largest cash farm income from the sale of hogs in over 20 years.

Hog prices advanced fairly sharply in the first half of December, and since then they have continued at a level nearly as high as that reached last September. The average price of butcher hogs at Chicago for the week ended January 3 was $11.10, compared with $10.00 a month earlier and $6.95 a year earlier. The United States average price received by farmers for hogs in December of $10.21 was 98 percent of parity. Inspected hog slaughter in December totaled 5.8 million head, 26 percent more than in November, but 5 percent less than in December 1940.

LAMBS

The outlook for sheep and lambs has not changed greatly during the past few months. The 1941 lamb crop was 5 percent larger than the 1940 crop, but slaughter of sheep and lambs during May-December was only 3 percent larger than a year earlier. This together with early winter indications of an increase in lamb feeding operations this season over last points to a moderate increase in slaughter supplies of sheep and lambs during the late winter and spring over those of a year earlier. The number of lambs to be fed in the important lamb-feeding State of Colorado will be considerably larger than a year earlier, and the number of Texas lambs held back for marketing next spring as shorn yearlings is expected to be large. A considerable tendency to increase breeding stock in the Western sheep States has been reported, and if weather conditions are favorable next spring the 1942 lamb crop probably will again be large.

Lamb prices advanced fairly sharply in late November and early December, and in the past few weeks they have been about as high as the peak prices reached last September. The average price of good and choice grade slaughter lambs at Chicago in early January was $12.30, compared with $11.10 in early November, and $9.70 in the corresponding week of 1940. Prices received by farmers for lambs in 1941 averaged close to $1.50 higher than the 1940 average price of about $8.10. This increase in price was largely due to the marked improvement in consumer demand for meats in 1941 over 1940 and to the higher prices for wool. Further improvement in consumer demand conditions are expected for 1942, but recently established ceiling prices for wool will limit further advances in this factor affecting lamb prices.

Marketings of sheep and lambs for slaughter increased sharply in December. Inspected slaughter for the month totaled 1,571,000 head, 10 percent more than in November and 11 percent more than in December 1940. Slaughter for the entire year totaled 18.1 million head, about 4 percent more than in 1940.

WOOL

Cash income received by farmers and ranchers for the sale of wool in 1942 probably will be as large as the 1941 income, if not larger. The 1941 income, tentatively estimated at 143 million dollars, was the second largest on record, being surpassed only by the 1918 income of 147 million

dollars. Prices received by farmers in 1941 were considerably higher than at any time in the past decade. The higher prices were chiefly the result of the marked increase in mill consumption of wool in the United States.

Temporary ceiling prices now in effect for raw wool limit maximum prices to the highest prices which prevailed during the period October 1-December 6, 1941. For most raw wools the ceiling prices are higher than at any time since early 1929. Sales reported at Boston in December were at the maximum prices permitted under present regulations.

Mill consumption of wool in the first quarter of 1942 will be limited, under the wool conservation program recently announced by the Office of Production Management, to 80 percent of the rate which prevailed in the first half of 1941. However, consumption was at a record level in 1941, and the 1942 consumption probably will be much larger than consumption in most recent years. Prospective large military requirements will be met in full and the reduction will be attained by restricting consumption for civilian uses to 40 or 50 percent of the quantity used in the 1941 period. The conservation program was considered necessary in view of the difficulty of importing large quantities of wool under wartime shipping conditions.

Mill consumption of apparel wool declined seasonally in November from the record rate maintained in September and October, but with this exception the November rate was higher than in any previous month. Consumption on a greasy shorn and pulled basis totaled 891 million pounds in the first 11 months of 1941 compared with 570 million pounds in the same months of 1940.

Imports of wool into the United States were at a record level in 1941 and supplies of wool in the United States at the end of 1941 were considerably larger than in most recent years. In addition, Australian wool was imported as a strategic reserve by the Defense Supplies Corporation. Publication of import data has now been suspended.

FATS, OILS, AND OILSEEDS

Domestic demand for fats and oils in 1942 will be the strongest in more than 20 years, and substantial purchases of lard for lend-lease shipment are in prospect. On the supply side, the United States faces a possible deficiency equivalent to 8 to 10 percent of total requirements as a result of the curtailment of imports of oilseeds and oils from the Pacific area. This deficiency probably can be covered by withdrawals from stocks on hand, but a material increase in domestic production will be needed this year if expected requirements are to be fully met in 1943. Prices of fats, oils and oilseeds probably will average higher in 1942 than in 1941, although advances from present levels are likely to be limited by control measures.

The principal changes in the outlook for fats and oils since last fall arise from: (1) The outbreak of war in the Pacific, and (2) action taken by the Office of Price Administration in establishing ceilings for wholesale prices of fats and oils (except butter). More than 60 percent of

total imports of oilseeds, fats, and oils in recent months has originated in the Pacific area, which normally supplies all of our imports of copra, coconut oil, tung oil, and perilla oil, and most of our imports of palm oil. Price ceilings for fats and oils are now set at the October 1 level or at 111 percent of the November 26 level, whichever is higher, with the special provision that the ceilings for soybean oil and linseed oil will be the October 1 price plus 0.75 cent per pound.

The original order on prices, issued December 13, set the ceilings at levels prevailing November 26. Subsequently, trading was brought virtually to a standstill. An amendment to the order, issued January 2, raised the ceilings by a minimum of 11 percent. Trading in domestic items was resumed, with most transactions in early January being conducted below the new ceiling levels. An order issued by the Office of Production Management on December 29, prohibiting deliveries of fats and oils to manufacturers beyond a 90-days' operating supply, apparently had the effect of restricting demand, as processors with large stocks on hand were forced to withdraw temporarily from the market.

CORN AND OTHER FEED

Supplies of feed grains, hay, and high-protein feeds, are the largest in more than 20 years. Consumption of feed grains during 1941-42 is expected to be larger than the 1941 crop, so that carry-over into 1942-43 probably will be smaller than at the beginning of 1941-42. The carry-over of corn next October 1 may be 50 million bushels smaller than the carry-over of 646 million bushels last October 1. The oats carry-over probably will be near the 1928-32 average of 157 million bushels. Feed-grain prices advanced about 25 percent during 1941 and byproduct feed prices advanced about 35 percent. The strong demand for feed and the higher loan on 1942 corn are expected to hold feed prices near or above the late 1941 level during 1942. The policy established early in 1941 of selling Government-owned corn stocks at prices which will tend to stimulate production of livestock products, however, is expected to continue through 1942. This policy will encourage the marked expansion desired in the output of animal products.

Total supplies of feed concentrates for 1941-42 are estimated to be 142.8 million tons, 5.4 million tons larger than was estimated in September. The supply per grain-consuming animal unit is 1.02 tons, or 19 percent above the 1928-32 average. The latest estimate of the 1941 corn supply was 3,318 million bushels, 163 million bushels larger than the 1940 supply; and the oats supply is estimated at 1,400 million bushels, 7 million bushels larger than in 1940-41. Combined disappearance of corn and oats during the last half of 1941 was 7 percent greater than in the last half of 1940. Stocks of corn on January 1 totaled 2,177 million bushels, or 145 million bushels larger than on January 1, 1941; stocks of oats were 42 million bushels smaller. The supply of high-protein feeds for domestic use is expected to be about 5 to 10 percent larger in 1941-42 than for 1940-41, but the supply of wheat millfeeds may be a little smaller. The hay supply totals 107 million tons, the largest in 21 years of record.

Prices of corn and oats advanced about 6 to 8 cents per bushel during the past month, barley advanced slightly, and byproduct feeds advanced $1.00 to $5.00 per ton. For the week ended January 4 the price of No. 3 Yellow corn at Chicago averaged 79.2 cents per bushel, 3 cents higher than the peak reached last September, and the highest level since October 1930 except in the drought years. Prices of oats and barley were at about the highest levels since July 1928 except in the drought years. The United States average price of hay advanced $1.49 per ton from mid-September to mid-December, but hay prices are still low relative to those of feed grains and livestock products. Feed prices are generally favorable to livestock producers except for the butterfat-feed grain price ratio. The price of butterfat, however, is high relative to the price of hay and the United States average price paid by condenseries for whole milk is high relative to prices of both feed grains and hay.

WHEAT

The preliminary indication of 1942 production of winter wheat is placed at 631 million bushels. There is no indication as yet of spring wheat production in 1942. However, considering the reduction in fall seedings which has taken place in spring wheat States, a reduction in spring seedings of 9 percent will be necessary if acreages are to be adjusted to 1942 allotment levels. Such a reduction would indicate a spring wheat acreage of 15.1 million acres. In order to avoid overplanting many growers usually seed somewhat below their allotments, but this factor may be partially offset this year by increased seedings of spring wheat in some winter wheat States where fall seedings were much below allotments because of unfavorable conditions at seeding time. If 15.1 million acres are seeded and average yields are obtained, production of spring wheat would amount to 162 million bushels. On this basis, the total crop would amount to 793 million bushels.

With domestic disappearance in the neighborhood of 670 million bushels, this would leave about 123 million bushels available for export or addition to carry-over. Unless exports develop sufficiently to remove this quantity, it follows that stocks on July 1, 1943 will be larger than on July 1, 1942 when they may amount to 640 million bushels. Even though this should be the case, it is expected that wheat prices in 1942-43 will be maintained at relatively high levels in comparison with prices in other principal exporting countries by the loan program.

In the summer Wheat Outlook issued in August an acreage about the same as that indicated December 1 was used but with average yields. Conditions for growth have subsequently turned out to be very favorable, so that the yield of winter wheat is now indicated by condition and weather factors at 16.0 bushels per acre compared with the 20-year 1921-40 average of 12.4 bushels. On 39.5 million acres this difference in yield would account for an increase of 140 million bushels.

Wheat prices are generally slightly higher than a month ago, and only slightly below the highest levels since 1937. On December 15 market prices compared with loan values as follows: St. Louis, Kansas City, and Minneapolis,

19, 16, and 8 cents, respectively, above, and at Portland 5 cents below. Thus the prices of soft red winter and hard red winter wheat represented by the St. Louis and Kansas City markets are above the loan plus 15 cents, at which level Commodity Credit stocks are offered. The policy of the Commodity Credit Corporation in selling wheat will be an important price influence in the markets throughout 1942. Up to the first of the year about 20 million bushels of wheat had been sold by the Corporation, leaving holdings of about 165 million bushels.

RICE

Average prices of rough rice per barrel received by growers during the current season have advanced from $3.21 in mid-September to $5.18 in mid-December, reflecting declining crop prospects. Rice prices are now at about the highest level since 1925. Prospects are for a maintained good demand and a small carry-over at the end of the season.

A gulf storm in September and excessive rainfall later reduced the crop in the Southern States from the favorable crop in prospect earlier in the season. Much of the California crop was planted late, and the summer was unfavorable for proper growth and filling of the heads. The harvest in both areas was slow and difficult as the result of rains.

The United States 1941 rice crop is officially estimated at 15.0 million 162-pound barrels. Added to a carry-over of 1.6 million barrels (rough plus milled converted to rough) this indicates total domestic supplies of 16.7 million barrels, compared with 17.6 million barrels in 1940 and 15.1 million barrels the 1930-39 average. Domestic disappearance of rice in 1941-42 in terms of rough may be somewhat above the 8.2-barrel average and also above the 8.4 million barrels in 1940-41. Exports and shipments in 1940-41 totaled 7.4 million barrels, and it is expected that this total will be exceeded in 1941-42. On the basis of these assumptions, the carry-over at the beginning of the 1942 season is expected to be considerably smaller than the 1932-40 average of 1.5 million barrels. The carry-over at the beginning of the 1941 season was placed at 1.6 million barrels. It is altogether likely that domestic and foreign requirements in 1942-43 will be considerably larger justifying an increase in 1942 seedings. The acreage in 1941 was 1.2 million acres, substantially above the 1930-39 average of 942,000 acres.

COTTON

A total domestic cotton consumption of close to 11-1/2 million bales for the current season is now expected on account of heavy military and civilian demand. This would exceed the record high of last season by 1-3/4 million bales and the 5-year (1936-40) average by nearly 3 million bales. The expected consumption and the prospective exports may reduce the August 1, 1942 domestic carry-over to approximately 10 million bales. This would be 2 million bales below that of a year earlier and the smallest since 1937. Even so, the carry-over on August 1 next would still be exceptionally large and most of it would again be owned or held as collateral against loans by the Government. Should the acreage equal 25 million and yields be the same as the 5-year 1936-40 average, the 1942 production would be about 12 million

bales. This together with the prospective carry-over would give a domestic supply next season about the same as that of the current season. Without a material decline in the 1942 production of foreign cotton, the world supply of such cotton will be considerably larger next season due to an expected further increase in the carry-over.

Largely because of increased military requirements for textiles and the strong civilian demand accompanying the marked increase in employment and consumer incomes, domestic cotton consumption now seems likely to be considerably larger than was expected last fall. This together with some change in export prospects indicates a materially smaller carry-over than had previously been anticipated.

On a daily basis, domestic cotton consumption established a new record high in November, but declined somewhat in December. Despite the December decline which usually occurs, and reduced requirements for automobiles and tires, the daily rate is expected to reach new record levels. The extremely high rate of domestic consumption and general inflationary sentiment in the cotton trade, together with the Government loan program, were important factors contributing to a net advance of about 1-3/4 cents per pound in domestic cotton prices from mid-December to mid-January. The January 12 price of 18.82 cents for Middling 15/16 inch cotton in the 10 markets was 8-3/5 cents higher than a year earlier and the highest since September 1929. Although domestic prices recently have been 3 to 4-1/2 cents above the 1941 loan rate, farmers have continued to place cotton under Government loan but in much smaller volume than in preceding weeks. The sale of Government-owned stocks at announced prices will be an important influence on prices during 1942.

DAIRY PRODUCTS

Total milk production in 1942 is expected to be the largest on record. It is expected that there will be a 3 to 4 percent increase in the number of milk cows on farms and there may be some increase in milk production per cow from the record high level of this year. Feed supplies during the first half of 1942 will be ample for heavy feeding but feed prices will be materially higher than in the corresponding months of 1941. Because of increasing consumer incomes and prospective large exports under the lend-lease program, prices of dairy products probably will average higher in 1942 than in 1941 but the increase in prices may be less than the increase from 1940 to 1941. Production of evaporated milk, American cheese, and dry skim milk for human consumption will be the largest on record in 1942. These are the major dairy products needed under the lend-lease program. Butter production may be about the same as in 1941, or only slightly larger.

There is little change in the present outlook from that issued last fall. Feed prices are now somewhat higher than was expected at that time so that the butterfat-feed price ratios may be materially less favorable during most of 1942 than a year earlier, and the ratio of prices paid by condenseries for milk to feed grain prices may be somewhat less favorable. Under the Steagall Amendment to the Commodity Corporation Act of 1941, the Secretary of Agriculture has issued a proclamation encouraging expansion

of cheese, evaporated, and dried skim milk production, and undertaking to manage the purchase and other Government programs for these commodities in such a way as, within the limits of available funds, to maintain a minimum price of 85 percent of parity. Other aspects of the dairy outlook are essentially the same as described in the October report.

Butter prices in December averaged about 1-1/4 cents lower than in November, but wholesale prices of cheese and evaporated milk have been steady since October. As a result of increasing feed prices, the ratio of dairy product prices to feed prices became increasingly unfavorable in December. Production of evaporated milk in November was 92 percent above a year earlier, American cheese production 44 percent larger, and dry skim milk production for human consumption 2 percent larger. Butter production was 2 percent smaller than in November 1940. Stocks of butter on January 1 were more than twice as large as on the same date in 1941.

POULTRY PRODUCTS

Production of poultry products responded rapidly to favorable prices in 1941, and further material increases are expected this year. The demand for poultry and eggs will be greater on the average than in 1941, however, and probably will more than offset the effects on prices of the increased supplies.

It now appears that the increase in egg production this year compared with 1941 may slightly exceed the 10-percent increase indicated in earlier outlook statements. The number of layers on farms January 1 was nearly 10 percent larger than on January 1, 1941 and the excess over a year earlier may increase slightly since the number of pullets remaining to be added to laying flocks is much larger than a year ago and only the minimum of culling probably will be done during the next several months. The large proportion of pullets in laying flocks this year will help to maintain a continued high rate of lay per bird.

The estimated requirements for lend-lease have been increased since last October so that in spite of greatly increased production, supplies for domestic utilization this year probably will be about as large as in 1941. Prices received by farmers for eggs this year are expected to average higher than in 1941 and the feed-egg ratio probably will be about average despite the probable higher feed prices.

The number of chickens raised on farms is expected to increase further this year, as indicated in earlier outlook statements, and the output of commercial broilers probably will continue at record levels during much of the year. Total slaughter supplies and per capita consumption of chickens this year probably will be the largest on record but prices received by farmers for chickens may average higher than in 1941.

Under the Steagall Amendment to the Commodity Credit Corporation Act of 1941, the Secretary of Agriculture to encourage production has proclaimed that Government purchase and other programs for eggs and chickens will be so conducted as to maintain, within the limits of available funds, prices of these commodities at not less than 85 percent of parity through December 31, 1942.

Although the rate of production per layer probably has been retarded by the recent cold wave, market receipts have continued a little larger than a year earlier. The wholesale price of fresh firsts at Chicago in early January was about 12 cents (55 percent) higher than a year earlier. Wholesale prices of live chickens at Chicago have continued higher than a year earlier despite continued heavier total marketings. Consumption of chicken meat during the past few months has been the heaviest on record.

Turkey raising in 1941, as a whole, was the most profitable in several years, so a material increase in turkey production probably will occur this year.

POTATOES AND SWEETPOTATOES

Although market prices of potatoes are currently well above those prevailing a year earlier, the prospect is that there will be little tendency for growers to increase their plantings of potatoes in 1942. In many important potato producing areas there are alternative crops which give promise of greater returns than do potatoes in 1942, a situation which may result in some decreases in plantings to potatoes. Nevertheless, there appears to be a need for some expansion in plantings in the late potato States, and the 1942 national goal calls for a slight increase over the acreage planted in 1941.

Such an increase would result, with average yields, in a total crop of about 360 million bushels. This production would differ but little from the 358 million bushels produced in 1941 or the revised average of the recent 10-year period. Yields in the last two seasons were somewhat above average, and the trend in yields in recent years has been sharply upward. It is not improbable, therefore, that higher than average yields will be obtained in 1942, in which case production may be somewhat above average in 1942. Also the increases in plantings indicated by the 1942 goal are largely in the late States. Increased production in these States would mean increased production for the period in which supplies appear to be moderately scarce during the current season. Because of the probability that demand for foods in general will be better in the 1942 season than in 1941, the prospect is that potato prices will hold to levels somewhat higher than in recent years, unless production is materially increased.

Slight increases in plantings of sweetpotatoes, particularly in the Southern States, are in prospect for 1942. This larger acreage with average yields would result in a production slightly larger than the average of recent years. If a moderate-sized crop is produced in 1942, somewhat higher prices would be received by producers. In any event, it is probable that income from the production of sweetpotatoes will be larger in 1942 than in recent years, since income, as a general rule, varies directly with changes in the general level of food prices, and the prospect is for a higher level of food prices in 1942 than in 1941.

DRY EDIBLE BEANS

A considerable expansion in the acreage and production of dry edible beans is in prospect for 1942. A sharp increase in the output of the white

varieties in 1941 resulted in the largest total bean crop on record. Government purchases and increased consumer demand, however, have resulted in a substantially higher level of prices in the current season. It is partly as a result of these higher prices that acreage increases will be forthcoming in 1942. Average yields would result in a new record large production, but with further increases in demand in prospect a larger crop probably would sell at prices somewhat higher than in 1941.

Acreage and production increases in 1942 over those of 1941 probably will be substantial in the colored and miscellaneous varieties and slight in the white varieties.

Substantial increases in the acreage and production of dry field peas are also in prospect for 1942. The increased supplies produced in 1941 moved at sharply higher prices and the prospect for 1942 is that the demand for these peas will be strong. Government purchases and seed requirements probably will be increased.

TRUCK CROPS

The 1941 market truck crops sold at relatively high prices, and resulted in record high incomes to producers. Although truck crops growers attempted to expand production in 1941, unfavorable weather caused acreage losses, and in some cases lowered the average yield per acre. As a result, smaller production than in 1940 together with improving purchasing power resulted in relatively high prices. It is probable, therefore, that acreages will be increased somewhat in 1942 over those in 1941. Early reports indicate substantially increased plantings to snap beans, cabbage, celery, lettuce, onions, spinach, and tomatoes in the early States. If favorable weather prevails, production likewise will be increased. Although there may be decreases in some areas for individual vegetables, the general tendency will be toward increased plantings in 1942 over 1941. This trend may be tempered somewhat, however, by the prospect that production and marketing costs will be higher than in recent years. Also some difficulty may be encountered in obtaining high quality seed, fertilizers, sprays, and containers for 1942 operations, and labor costs are expected to be somewhat higher than in 1941.

Increased plantings of most processing truck crops are in prospect in 1942. Production and packs of most of these crops were increased substantially in 1941 over those of 1940, but a rapid increase in consumer demand, together with some Government purchases, resulted in an active movement into consuming channels at prices materially above those of recent years. A Government purchase program for canned tomatoes and peas is expected to be continued in 1942. Minimum prices slightly above those of 1941 have been guarranteed for canned tomatoes and peas in order to obtain the goals of 40 and 38 million cases respectively.

FRUITS

Total production of fruit in the 1942-43 fruit season (July-June) probably will be about the same as in the 1941-42 season. A generally smaller output of deciduous fruits probably will be offset by a larger production

of citrus. The demand situation in 1942 for fruits and fruit products will be the most favorable in more than a decade. Consumer purchasing power will average higher than in 1941, and a considerable expansion in lend-lease shipments of processed fruits is in prospect. Although production and marketing costs will increase in 1942, it is likely that the increase in demand will result in price levels sufficiently above those of recent years to more than cover the increased costs. It is unlikely that all important fruit crops and all growers will share in the improved situation, but the fruit industry as a whole should enjoy a relatively favorable season.

Total supplies of fresh and dried fruits available for distribution through regular trade channels during the remainder of the 1941-42 fruit season are slightly smaller than in the comparable period in the preceding season. Supplies of canned fruit available for the remainder of the season, however, probably are roughly 5-10 percent greater than in the same period a year earlier.

The movement of apples out of cold storage in December totaled 5.5 million bushels, and on January 1 there were 25.7 million bushels in cold storage compared with 28.6 million bushels on the same date a year earlier. Auction prices of Washington Extra Fancy Delicious apples at New York and Jonathan apples at Chicago increased contraseasonally during December.

Cold storage holdings of late variety pears totaled 1.3 million bushels on January 1 compared with 1.0 million on January 1, 1941. Auction prices of late pears in the week ended January 2 averaged considerably higher than those in the comparable week last year.

On January 1 the Agricultural Marketing Service estimated that the production of oranges in the 1941-42 season would total 84.7 million boxes compared with 84.1 million from the bloom of 1940. It was also estimated that grapefruit and lemon production from the bloom of 1941 would be smaller than that from the preceding bloom. Market prices of citrus fruits in general in the first week of January averaged moderately above prices in the comparable week a year earlier.

TABLE 8.- ECONOMIC TRENDS AFFECTING AGRICULTURE

INDEX NUMBERS: INDICATED BASE PERIOD = 100

YEAR AND MONTH	INDUSTRIAL PRODUCTION[1]	FACTORY EMPLOYMENT[2]	FACTORY PAY ROLLS[2]	INCOME OF INDUSTRIAL WORKERS[3]	WHOLESALE PRICES OF ALL COMMODITIES[4]	RETAIL FOOD PRICES[5]	COST OF LIVING, URBAN[6]	PRICES RECEIVED BY FARMERS[7]	PRICES PAID BY FARMERS	PRICES PAID BY FARMERS, INTEREST AND TAXES	RATIO OF PRICES RECEIVED TO PRICES PAID INCL. INTEREST & TAXES	CASH INCOME FROM FARM MARKETINGS[8]
Base Period	*1935-39*	*1935-39*	*1935-39*	*1935-39*	*1935-39*	*1935-39*	*1935-39*	*1910-14*	*1910-14*	*1910-14*	*1910-14*	*1910-14*
1929	110	108	127	134	118	133	122	146	153	166	88	190
1930	91	94	103	110	107	126	119	126	145	158	80	152
1931	75	80	78	85	91	104	109	87	124	138	63	107
1932	58	68	54	59	80	86	98	65	107	120	54	80
1933	69	75	58	61	82	84	92	70	109	118	59	89
1934	75	88	74	77	93	94	96	90	123	128	70	106
1935	87	93	86	87	99	100	98	108	125	130	83	119
1936	103	101	99	100	100	101	99	114	124	129	88	139
1937	113	111	118	117	107	105	103	121	130	134	90	148
1938	89	93	91	91	98	98	101	95	122	127	75	129
1939	108	102	106	105	96	95	99	93	121	127	73	132
1940	123	110	122	119	98	97	100	98	123	128	77	141
1940-												
Nov.	134	117	136	130	99	96	100	99	122	127	78	145
Dec.	139	119	142	135	99	97	101	101	123	128	79	156
1941-												
Jan.	140	121	145	138	100	98	101	104	123	128	81	158
Feb.	144	121	146	139	100	98	101	103	123	128	80	153
Mar.	147	122	147	141	101	98	101	103	124	129	80	161
Apr.	144	125	153	142	103	101	102	110	124	129	85	169
May	154	128	164	157	105	102	103	112	125	130	86	176
June	159	131	175	167	108	106	105	118	128	132	89	175
July	160	136	182	173	110	107	105	125	130	133	94	179
Aug.	160	136	183	174	112	108	106	131	133	136	96	186
Sept.	161	135	187	177	114	111	108	139	136	138	101	200
Oct.	164	136	189	178	114	112	109	139	139	141	99	203
Nov.[9]	166	138	193	181	115	113	110	135	141	143	94	206
Dec.[9]	168	--	--	--	--	116	--	143	143	144	99	--

[1]Federal Reserve Board, adjusted for seasonal variation. Revised September 1941.

[2]Bureau of Labor Statistics, adjusted for seasonal variation and converted from the 1923-25 base (employment adjusted by Federal Reserve and pay rolls by Bureau of Agricultural Economics).

[3]Adjusted for seasonal variation. Includes factory, railroad, and mining employees. Revised November 1941. To convert to 1924-29 base, multiply by 78.0744 percent.

[4]Bureau of Labor Statistics, 1926 = 100 converted to 1935-39 = 100 by multiplying by 124.069 percent.

[5]Bureau of Labor Statistics.

[6]Bureau of Labor Statistics. Index numbers of cost of goods purchased by wage earners and low-salaried workers in large cities.

[7]August 1909-July 1914 = 100.

[8]Adjusted for seasonal variation, converted from 1924-29 = 100 to 1910-14 = 100.

[9]Preliminary.

Note: In comparing trends between industrial production and industrial workers' income, as indicated by the above index numbers, notice should be taken of the fact that income of railway workers, as well as incomes of mining and factory workers, is included in the index of industrial workers' income, whereas the industrial production index is based on mining and manufacturing only. Similar precautions are necessary in comparing trends between industrial production and factory employment and pay rolls. Another consideration of importance is that the production index is based on volume, whereas the income indexes are affected by changes in wage rates as well as by time worked. In comparing monthly indexes it is important to keep in mind the fact that there is usually a time lag between changes in volume of production and similar changes in employment and in workers' income.